



Executive Director/Director Non-Key Executive Decision Report

Author/Lead Officer of Report: Sarah Lowi Jones (Economic Policy Officer, City Growth), Diana Buckley (Head of Economic Strategy and Marketing Sheffield).

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Report to: *Edward Highfield (Director, City Growth)*

Date of Decision: *5th July 2019*

Subject: *Authorisation to enter into delivery contracts, accept cash match from partners and make payment of grants to SMEs in furtherance of delivering the RISE Enhancement Project*

Which Cabinet Member Portfolio does this relate to? *Cllr Mazher Iqbal (Cabinet Member for Business & Investment)*

Which Scrutiny and Policy Development Committee does this relate to? *Economic and Environmental Wellbeing Scrutiny and Policy Development Committee*

Has an Equality Impact Assessment (EIA) been undertaken? Yes ☐ No ☒

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes ☐ No ☒

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."

Purpose of Report:

Having received approval in April 2019 to enter into a funding agreement with MHCLG for the delivery of the RISE Enhancement Project, the Council is now in a position to begin contracting with partners (those who have provided match funding and those we intend to commission to deliver services). Having these grant agreements in place will provide a framework for accepting grant funding from each institution.

This report therefore seeks approval for SCC to enter into agreements with The University of Sheffield (UoS) and Sheffield Hallam University (SHU), and requests authorisation to receive the grant funding once these partner agreements are signed. The report also asks for the authority to appoint and contract with a delivery partner through a competitive OJEU procurement process SCC is currently leading.

In addition, the report requests authorisation to make payment of grants to businesses across Sheffield City region (up to a value of £2,500 each) once the RISE Enhancement Project goes live in Autumn 2019.

The Project will provide targeted business support to help SMEs across the Sheffield City Region, overcoming barriers to graduate recruitment. Through a bespoke matching of suitable graduates to SMEs' needs, RISE will help demonstrate the business benefits of employing graduates and enable SMEs to realise sustainable growth opportunities.

The project is a partnership between Sheffield City Council (SCC), Sheffield Hallam University (SHU) and the University of Sheffield (UoS). This partnership has delivered RISE through local funding for the last 5 years, and sought ERDF funding to deliver The RISE Enhancement Project for a number of critical reasons:

- 1) The desire to up-scale the project to maximise outcomes for the region.
- 2) To replace the gap in funding arising from the end of funds previously provided through Sheffield City Region.
- 3) Refresh the approach to RISE to ensure it retains its best in field reputation for this activity.

The total cost of the RISE Enhancement Project 2019-2022 is £1,179,658. Match funding of £495,526 is committed by project partners, the University of Sheffield (£248,353) and Sheffield Hallam University (£247,173). The project will draw down European funding of £684,132 through the European Structural and Investment Funds (ESIF) 2014-2020 Growth Programme for England.

Recommendations:

That the Director (City Growth) authorises Sheffield City Council to:

- Enter into delivery partner agreements with the Universities to deliver their element of project activity.
- Accept a cash match contribution from the University of Sheffield (£248,353) and Sheffield Hallam University (£247,173) towards project delivery costs.
- Enter into a contract with the successful bidder following an OJEU procurement process to appoint a Delivery Partner.
- Run a grant programme where grants of up to £2,500 are issued to SMEs across the SCR once they employ a graduate.

Background Papers:

This report follows on from an Individual Executive Decision Record taken by Laraine Manley (Executive Director, Place) on 4 April 2019.

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Peter Carr – External Funding Team</i>
		Legal: <i>Marcia McFarlane – Commercial Lawyer</i>
		Equalities: <i>Anne-marie Johnson</i>
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	Lead Officer Name: <i>Diana Buckley</i>	Job Title: <i>Head of Strategy and Commissioning, City Growth</i>
	Date: <i>05/07/2019</i>	

1. PROPOSAL

1.1 Having received approval in April 2019 to enter into a funding agreement with the Ministry of Housing, Communities and Local Government (MHCLG) for the delivery of the RISE Enhancement Project, the Council is now in a position to begin contracting with partners (those who have provided match funding and those we intend to commission to deliver services) and receive match funding from both the University of Sheffield and Sheffield Hallam University.

1.2 This report therefore seeks approval for Sheffield City Council (SCC) to enter into agreements with Sheffield Hallam University (SHU) and The University of Sheffield (UoS) and receive match funding from them for the amounts of £247,173 and £248,353 respectively. It also requests authorisation for SCC to lead the process to appoint and contract with a delivery partner through a competitive OJEU procurement process. SCC will work closely with each partner to deliver the project.

1.3 In addition, the report requests authorisation to make payment of grants to businesses across Sheffield City region (up to a value of £2,500 each) once the RISE Enhancement Project goes live in Autumn 2019.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The RISE Enhancement project will directly contribute to the Strong Economy priority of the Corporate Plan. By providing the resources to deliver specialist business support to Sheffield SMEs who have an ambition to grow. The project will have a direct impact on the long term ambitions for Sheffield to support businesses to start and grow and create jobs opportunities across the city region.

2.2 Employing graduates can deliver a range of business benefits, for example, it introduces higher level skills related to core business functions such as IT, marketing, developing people and managing finances into businesses. It improves productivity and innovation and provides potential opportunities for succession planning.

2.3 However, evidence shows that SMEs do not capture these benefits as they do not routinely employ graduates. An SCR LEP business survey evidenced that only 15% of businesses with 1-10 employees and 20% with 10-50 employees employed graduates in comparison to 44% in larger businesses. This is because SMEs experience additional barriers to employing graduates, these include:

- SMEs do not recognise the potential benefits that employing graduates can bring
- SMEs do not have the skills to recruit graduates
- SMEs do not have the brand and market power to attract graduates in a corporate dominated marketplace
- SMEs often do not have access internally to HR expertise to support them in recruiting graduates (and it is costly to pay for recruiters to take this on at market rates)
- The cost of recruiting graduates for SMEs are higher, as they do not benefit from economies of scale and information, as they are likely to recruit 1 or 2 graduate a year, rather than spreading the costs of a large scale recruitment as larger corporations can.

2.4 The RISE Enhancement Project sets out to address these identified barriers by:

- *Articulating the value* graduates can bring to their business.
- *Communicating the benefits* of working for an SME.
- *Agglomerating SME demand* - Individually many small and medium sized businesses do not have the capacity to run a full and comprehensive recruitment

process but, by bringing demands from multiple SMEs together, a through corporate-style recruitment process can be delivered.

- *Addressing the recruitment mismatch between SMEs and graduates* - A brokerage service to reflect a clear understanding of the employment needs of SMEs and ensure they are met through careful graduate assessment and selection procedures
- *Business Support* - Developing SME graduate recruitment knowledge, know-how and capacity through 1-1 discussions, specific workshop sessions and brokering in complementary support so that employing graduates results in growth of their business.

- 2.5 The RISE Enhancement Project addresses a specific gap in provision and complements the business support offer to local businesses being delivered through Business Sheffield and the SCR Growth Hub.
- 2.6 The RISE Enhancement Project responds also directly to the challenges identified within the Sheffield City Region European Structural & Investment Funds Strategy (February 2016): the need for more highly skilled jobs. Delivery so far, of over 400 jobs in over 300 businesses, demonstrates the real impact we can have on this challenge. In addition we know from the independent evaluations of the project that SMEs supported are able to introduce new processes to their business and experience productivity benefits.
- 2.7 The RISE Enhancement Project also provides job opportunities for graduates seeking to stay with Sheffield after university, or returning home from university for work. It supports graduates who may have been unemployed or unable to secure traditional graduate jobs with 'milk round' graduate employers, by opening up a new SME job market where often a different skill set is required.
- 2.8 The RISE Enhancement Project also supports wider employment opportunities as it seeks to reduce underutilisation of graduates, in lower skills jobs. This ensures that more jobs are available in the job market for other people looking to start their careers.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The Council is not required to consult on the proposal.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications (reviewed and edited by Anne-Marie Johnston)

- 4.1.1 An assessment has identified that there are no significant differential equality implications, positive or negative, arising from entering into a funding agreement with MHCLG for the continued delivery of the RISE Enhancement programme.
- 4.1.2 The RISE Enhancement programme will continue to endeavour to ensure that all processes and procedures followed are open, fair and transparent and that they do not disadvantage any group or set of individuals. We will create a new policy statement that sets out the RISE delivery partners' commitment and responsibilities which will be made available on the RISE website
- 4.1.3 The RISE Enhancement programme management team will:
- Ensure SMEs include a statement in their graduate job adverts and job descriptions that applications from relevant underrepresented groups in their sector are welcomed.
 - Provide an employer induction session covering legal obligations, responsibilities and awareness of unconscious bias and discriminatory practices.

- Continue to capture information on age, gender, disability status, ethnicity and sexuality to ensure applications are from a representative group of candidates enabling progress to be monitored to ensure no advantage or prejudice is applied.
- Encourage graduate candidates to disclose any additional needs so that reasonable adjustments can be made during all stages.
- Adopt best practice blind sifting processes during assessment of written graduate applications and exercises, removing all identifiers to ensure absolute objectivity.

4.1.4 Equalities implications will be considered throughout the delivery of the project and individual decisions relating to project activity will be subject Equality Impact Assessments where this is appropriate.

4.1.5 The proposal contained within this Report should have a positive benefit for Small and Medium Sized businesses across Sheffield and the Sheffield City Region and create more jobs on higher wages within the local economy.

4.2 Financial and Commercial Implications

4.2.1 Match funding of £495,526 has been committed by the University of Sheffield (£248,353) and Sheffield Hallam University (£247,173) over three years, contributing towards the overall programme budget and providing appropriate match to secure the external grant from ERDF (£684,132).

4.2.2 Key features (not exclusive) of the MHCLG (ERDF) grant terms and conditions are summarised below:

Start Date	01 October 2019
Agreed Financial Completion Date	30 September 2022
Agreed Activity End Date	30 September 2022
Agreed Project Practical Completion Date	01 February 2023

- Grant only paid in respect of Eligible Expenditure defrayed on/after Start Date.
- Carry out the Project Activities specified within the Application.
- Achieve Targets within time limits set in the Funding Agreement and Key Milestone Dates as per the Project Specific Conditions.
- SCC may task a Delivery Partner to carry out certain Project Activities provided that this does not reduce the obligations/liability of SCC.
- SCC is liable for the acts of its Delivery Partner including any corrections.
- Grant is conditional on achieving Match Funding or it being committed.
- The match funding will support the project and have no specific conditions attached.
- Notify the funder if there are any shortfalls in Match Funding.
- SCC must have all funding needed to pay for expenditure which is not eligible.
- Comply with all aspects of the grant claims procedures.
- Notify funder if unable to claim in accordance with the expenditure profile.

- Funder to retain 10% of Grant until:
 - Completion of Project Activities;
 - Funder has satisfactory final monitoring report after final monitoring visit;
 - All outstanding audit issues are resolved.
- No automatic carry forward of underspent grant and no automatic payment of grant in following year if there is an in year overspend.
- Departure from profiles in any Financial Year may lead to a loss of grant.
- SCC will not use any Asset for any purpose other than the Approved Use.
- SCC must not dispose of any interest in an Asset without funder approval.
- All Changes must be approved by the funder in advance.
- Comply / secure compliance with Structural and Investment Funds Regulations including Delivery Partners.
- Comply with applicable EU law and the national law relating to its application.
- SCC to undertake independent assessment of the compatibility of the Project with State Aid Law and that it is structured to be compliant.
- Maintain appropriate records of compliance with the State Aid Law.
- Comply with / ensure Delivery Partners comply with all applicable EU /UK Procurement Law.
- Event of Default (not exclusive) which may lead to grant clawback:
 - Failure to comply with the Conditions;
 - Activities not commenced by date which is 3 months after Start Date;
 - Expenditure is not claimed in line with Profile;
 - Completion of Activities not achieved by the Agreed Activity End Date;
 - Project change without prior approval of funder.
- If there is an under performance on the project the grant may be reduced in a range of circumstances (the Project Manager will need to read these in full).
- Comply with monitoring/reporting requirements.
- Notify the funder of any changes in (not exclusive):
 - The information on costs of Project Activities;
 - Receipt of any other funding for the project;
 - Event(s) affecting Project delivery by the Agreed Activity End Date.
- Comply with the requirements for an audit trail under the Structural and Investment Funds Regulations.
- Keep a record of all Eligible Expenditure, quotes, tenders and procurement practices, financial contributions and income generated by the Project.
- All documents relating to the Project and its implementation and financing to be retained for a two year period from 31 December following the submission of the

accounts to the EU Commission in which the final expenditure for the Completed Project is included.

- Ensure documents relating to the Project and its implementation/financing are retained to demonstrate compliance with State Aid law, Structural and Investment Funds Regulations and obligations under the Funding Agreement.
- The Project Manager will need to read and comply with the National European Development Fund Document Retention Guidance.
- Documents kept as either the originals or certified true copies of the originals or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.
- Comply with all of the requirements re: accounting records, supporting evidence and Audit requirements especially with regard to delivery partners.
- Grant outside the scope of VAT and if any VAT is chargeable all payments shall be deemed to be inclusive of all VAT.
- SCC acting as lead beneficiary for a consortium including delivery partners will be making use of the Grant.
- SCC to enter into legally binding agreement with Delivery Partners on basis of MHCLG Funding Agreement.
- The Project manager will need to read, understand and comply with all of the grant terms and conditions and the [Code of Conduct for Grant Recipients](#).
- The Project manager will need to develop an exit strategy to ensure that there are no unfunded ongoing costs after funding for the project has ended

4.2.3

Procurement

- All public sector procurement is governed by and must be compliant with both European Legislation and UK National Law. In addition, all procurement in Sheffield City Council must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs).
- Contracts Standing Orders requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase/acquire services, goods or works must go via a competitive process.

4.3 **Legal Implications**

- 4.3.1 SCC does not have specific powers to accept or distribute funding; it has a general power of competence set out in the Localism Act 2011 that, subject to certain restrictions, allows it to do anything that an individual may do. This power may be used to award small grants of less than £2500 to SMEs. In making such award SCC must adhere to the *de minimis* principles of State Aid
- 4.3.2 SCC is the Accountable Body for RISE Enhancement project and therefore has legal obligations to implement, manage and monitor the project in line with the funding agreement from MHCLG while achieving specified targets and outputs in the funding

agreement. SCC must therefore work closely with the delivery partners (University of Sheffield and Sheffield Hallam University) and delivery specialists (i.e. the procured provider) to meet its obligations

- 4.3.3 Clause 7.2 of the funding agreement requires SCC to have a legally binding agreement with delivery partners and there is also an obligation that they make match funding to the project. SCC can use powers under the Localism Act 2011 to enter the required agreement with delivery partners and accept their match funding on behalf of the project.
- 4.3.4 The agreement with delivery partners must require that they comply with key commitments in the funding agreement, in particular attaining milestone, targets, making match funding payments and complying with procedures.
- 4.3.5 The funding agreement requires SCC to have procedures that deal with conflict of interest, financial irregularity in respect of the delivery partners, compliance with Data Protection legislation and Structural and Investment Funds Regulations. SCC's agreement with delivery partners must place obligations on them to cooperate and assist SCC with meeting these compliance requirements, Procurement law and their internal processes that relate to procurement. .
- 4.3.6 SCC will use procurement process to select delivery specialists, the process must comply with European Procurement Rules, Public Contract Regulations 2015 and the Council's Contract Standing Orders. The Contract that will be awarded to the delivery specialist will include terms to assist SCC in meeting its obligations as Accountable Body and grant recipient of MHCLG funding.
- 4.3.7 SCC must maintain insurance to cover any claims under the Funding Agreement or from any third party and comply with the relevant document retention policy.
- 4.3.8 A default or material breach of the funding agreement may result in the Secretary of State reducing, suspending, ceasing to pay or requiring refunds of the grant; or terminating the agreement.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Do Nothing

If SCC does not receive approval to enter into Grant Agreements with both Universities and to receive match funding, there can be no RISE Enhancement Project and the project will not continue as the final cohort of the current contract has already been delivered.

- There are no similar projects within Sheffield City Region that support SMEs to appoint graduates into full-time jobs.
- Market failures would persist as individually many SCR SMEs do not have the capacity to run a comprehensive graduate recruitment process to match their specific needs.
- The latent demand for graduate recruitment advice and support which is deemed a barrier to growth for SME's would remain unaddressed.
- Graduate retention rates would be adversely affected with negative productivity and economic growth implications.

5.2 Do Less

It is a requirement of the European Structural & Investment Funds being awarded that we have match funding from both universities to form the whole budget for this project. If we are not able to claim the European Funding, then we would have to significantly

reduce the scale and remit of the programme.

- Smaller scale project would mean fewer businesses supported, meaning fewer jobs created and less business growth.
- The lack of available support would negatively impact on the reputation of RISE.
- Value for money would be adversely affected as the model relies upon agglomeration of SME demands and benefits from operating at a level where graduate recruitment and assessment processes can be run more effectively and efficiency through economies of scale.

5.3 **Delay**

If there is a prolonged delay there may be a significant break in delivery between the cessation of the current RISE programme and the start of delivery of the new RISE Enhancement Project. Steps would need to be taken to manage expectations of SME enquiries and ensure referrals to alternative support during the interim period.

6. **REASONS FOR RECOMMENDATIONS**

6.1 The preferred option is to authorise SCC to progress within the expected delivery timetable and ensure the partnership can deliver an up-scaled RISE Enhancement Project to maximise the outcomes for the region. Approval of the recommendations below will allow SCC to:

- Provide a secure financial basis to increase the number of local SMEs realising business benefits from the recruitment of graduates.
- Build on the success of a unique support programme across SCR by providing a 3 year programme proactively targeted to increase graduate recruitment within SMEs, create sustainable graduate level jobs and overcome barriers to business growth.
- Ensure a smooth transition and continuity of business support on offer across SCR from the existing RISE project to the new RISE Enhancement programme.
- Assist 283 SMEs across the City Region to offer graduate level employment opportunities.
- Support 198 unique SMEs to appoint graduate employees
- Deliver 113 net additional graduate level jobs.

7. **Recommendations:**

- 7.1. That the Director (City Growth) authorises Sheffield City Council to:
- Enter into delivery partner agreements with the Universities to deliver their element of project activity.
 - Accept a cash match contribution from the University of Sheffield (£248,353) and Sheffield Hallam University (£247,173) towards project delivery costs.
 - Enter into a contract with the successful bidder following an OJEU procurement process to appoint a Delivery Partner.
 - Run a grant programme where grants of up to £2,500 are issued to SMEs across the SCR once they employ a graduate.